MINUTES
BUDGET WORKSHOP
DESTIN CITY COUNCIL
AUGUST 11, 2022
ANNEX COUNCIL CHAMBERS
5:30 PM

The Council of the City of Destin met in special session with the following members and staff present:

Destin City Council

Mayor Gary Jarvis
Councilmember Kevin Schmidt
Councilmember Bobby Wagner (virtual)
Councilmember Terésa Hebert
Councilmember Dewey Destin
Councilmember Jim Bagby
Councilmember Rodney Braden
Councilmember Johnny King

City of Destin Staff

City Manager Lance Johnson
City Clerk Rey Bailey
Parks & Recreation Director Lisa Firth
Public Works Director Michael Burgess
Grants/Projects Manager Jeffrey Cozadd
Community Development Director Louis Zunguze
Deputy City Manager Webb Warren
Code Compliance Director Kim Corbin
Public Information Manager Catherine Card
Finance Director Krystal Strickland
Library Director Wen Livingston
Land Use Attorney Kimberly Kopp

CALL TO ORDER

Mayor Gary Jarvis called the meeting to order at 5:30 PM, followed by the recitation of the Pledge of Allegiance.

WORKSHOP

A. Fiscal Year 2023 Budget Workshop

City of Destin Finance Director Krystal Strickland provided the following presentation:

2023 Budget Process

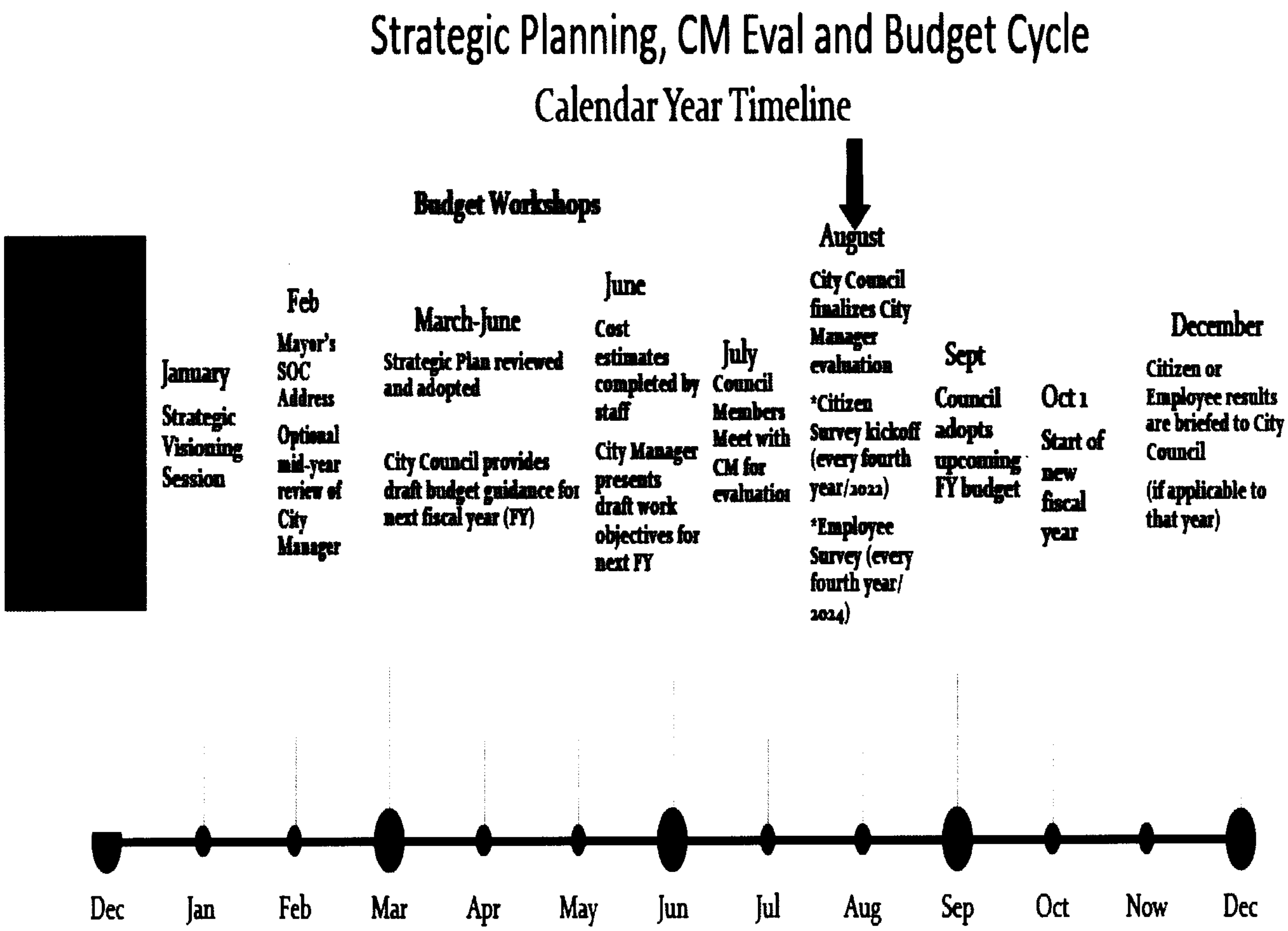
- Visioning Session – January 2022
- Operational Budget Workshop – May 17, 2022
- Capital Budget Workshop – June 23, 2022
- Capital Budget Workshop – July 14, 2022
- Adopt Tentative Millage Rate and Certify to Property Appraiser – August 1, 2022
- Adoption of a Balanced Budget – September 2022

FY 2023 Budget Updates since Workshop #3

The following items decreased General Fund expenditures by $335,000:

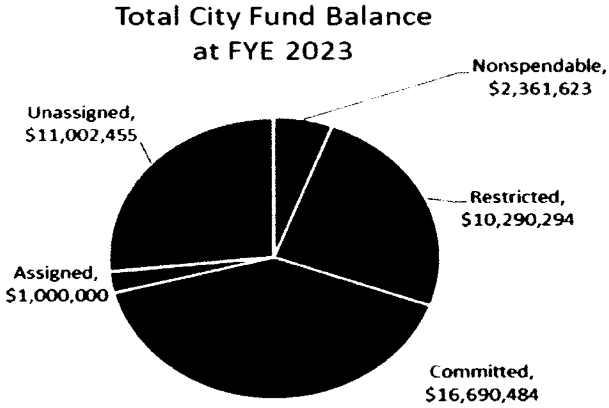
1. Personnel COLA decreased from 8.53% down to 5% - General Fund decrease $213,000.
2. Marina Feasibility Study moved out of FY 2024 – General Fund decrease $75,000.
3. Personnel insurance adjusted to actual premiums and corrected employee responsible portion – General Fund decrease $41,000.
4. Adjusted certain revenues to match revisions opted by Florida Office of Economic & Demographic Research (Municipal Sharing, ½ Cent Sales) – General Fund revenue increase $36,000.
5. Increased stormwater contracts 32,000 for CBA NPDES - General Fund expenditure increase

Net change: Decreased usage of Fund Balance from $101,000 to adding $224,000 to fund balance.



Fund Balance

ALL FUNDS	Fund Balance Summary	2021 Actual	2022 Projection	2023 Budget	Change (FY23-FY22)
	Nonspendable	$ 2,561,841	$ 2,448,823	$ 2,361,623	$ (87,200)
	Restricted	$ 3,852,330	$ 4,488,563	$ 10,290,294	$ 5,801,730
	Committed	$ 14,739,794	$ 14,750,466	$ 16,690,484	$ 1,940,018
	Assigned	$ 1,282,070	$ 1,000,000	$ 1,000,000	$ -
	Unassigned	$ 11,079,881	$ 13,064,152	$ 11,002,455	$ (2,061,697)
	Ending Fund Balance	**$ 33,515,916**	**$ 35,752,005**	**$ 41,344,856**	**$ 5,592,851**



Fund Balance

ALL FUNDS	Fund Balance Summary	2021 Actual	2022 Projection	2023 Budget	Change (FY23-FY22)
01 Gen Fund	Nonspendable	$ 2,561,841	$ 2,448,823	$ 2,361,623	$ (87,200)
01 Gen Fund	Restricted	$ -			$ -
01 Gen Fund	Committed	$ 10,084,733	$ 8,806,652	$ 10,988,499	$ 2,181,847
01 Gen Fund	Assigned	$ 376,587	$ 1,000,000	$ 1,000,000	$ -
01 Gen Fund	Unassigned	$ 13,296,275	$ 14,783,948	$ 12,923,443	$ (1,860,505)
102 TC CRA	Unassigned	$ (2,216,394)	$ (1,719,796)	$ (1,920,988)	$ (201,192)
110 Harbor CRA	Restricted	$ 276,242	$ 393,691	$ 604,040	$ 210,349
111 Florida Bldg	Restricted	$ 310,750	$ 376,157	$ 245,658	$ (130,499)
122 Parking	Committed	$ -	$ 223,133	$ 84,077	$ (139,056)
125 Technology	Committed	$ 201,407	$ 338,420	$ 336,515	$ (1,905)
127 Water Quality	Restricted	$ -	$ -	$ 179,658	$ 179,658
129 Okaloosa 1/2	Committed	$ 3,408,363	$ 4,110,214	$ 5,242,216	$ 1,132,002
129 Okaloosa 1/2	Assigned	$ 171,098	$ -	$ -	$ -
2xx Debt Service	Restricted	$ 339,200	$ 339,819	$ 340,244	$ 425
300 Renew/Replace	Committed	$ 1,045,291	$ 1,272,048	$ 39,177	$ (1,232,870)
300 Renew/Replace	Assigned	$ 357,670	$ -	$ -	$ -
305 Grants & CIP	Restricted	$ -	$ -	$ -	$ -
315 Restricted CIP	Restricted	$ 2,926,138	$ 3,378,897	$ 8,920,693	$ 5,541,796
315 Restricted CIP	Assigned	$ 376,715	$ -	$ -	$ -
	Ending Fund Balance	**$ 33,515,916**	**$ 35,752,005**	**$ 41,344,856**	**$ 5,592,851**

General Fund Balance

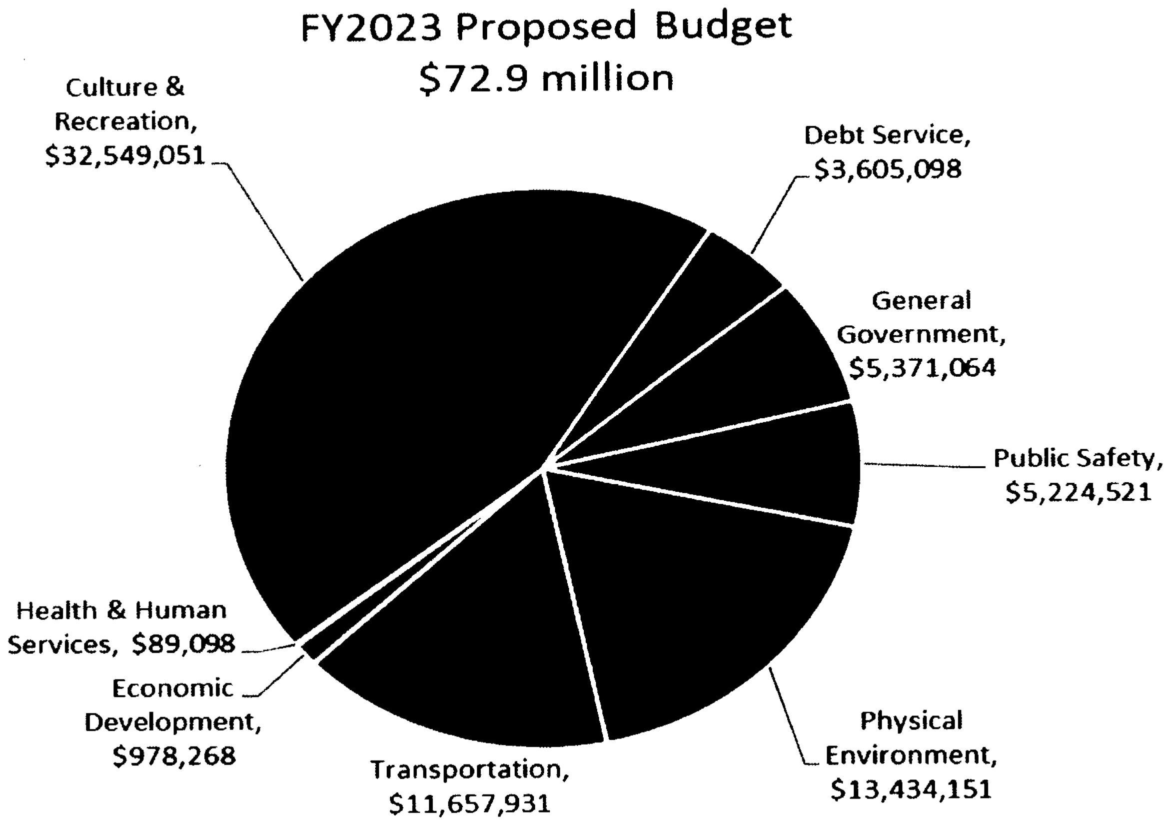
	Fund Balance Summary 01 General Fund	2021 Actual	2022 Projection	2023 Budget	Change (FY23-FY22)
01 Gen Fund	Nonspendable	$ 2,561,841	$ 2,448,823	$ 2,361,623	$ (87,200)
01 Gen Fund	Restricted	$ -			$ -
01 Gen Fund	Committed	$ 10,084,733	$ 8,806,652	$ 10,988,499	$ 2,181,847
01 Gen Fund	Assigned	$ 376,587	$ 1,000,000	$ 1,000,000	$ -
01 Gen Fund	Unassigned	$ 13,296,275	$ 14,783,948	$ 12,923,443	$ (1,860,505)
	Ending Fund Balance	**$ 26,319,436**	**$ 27,039,423**	**$ 27,273,565**	**$ 234,142**

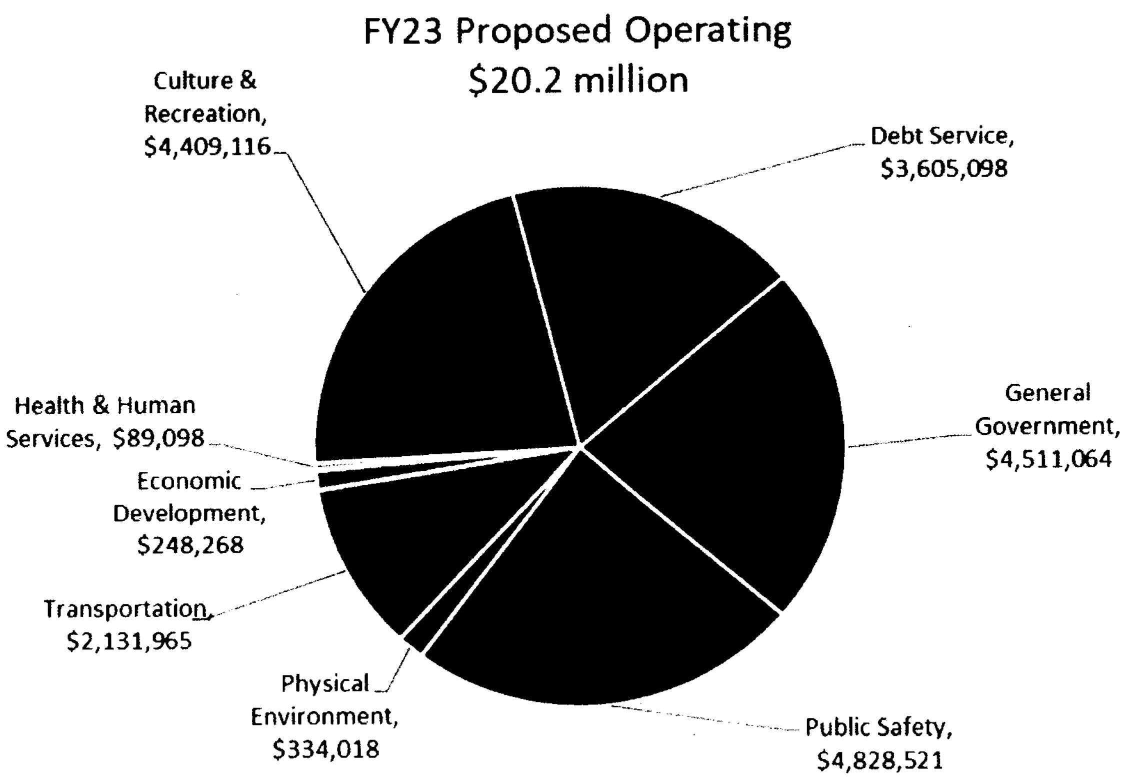
- Committed fund balance increases as Operating expenses increase
- Unassigned may become committed when RR Study is complete

Effecting Unassigned General Fund Balance

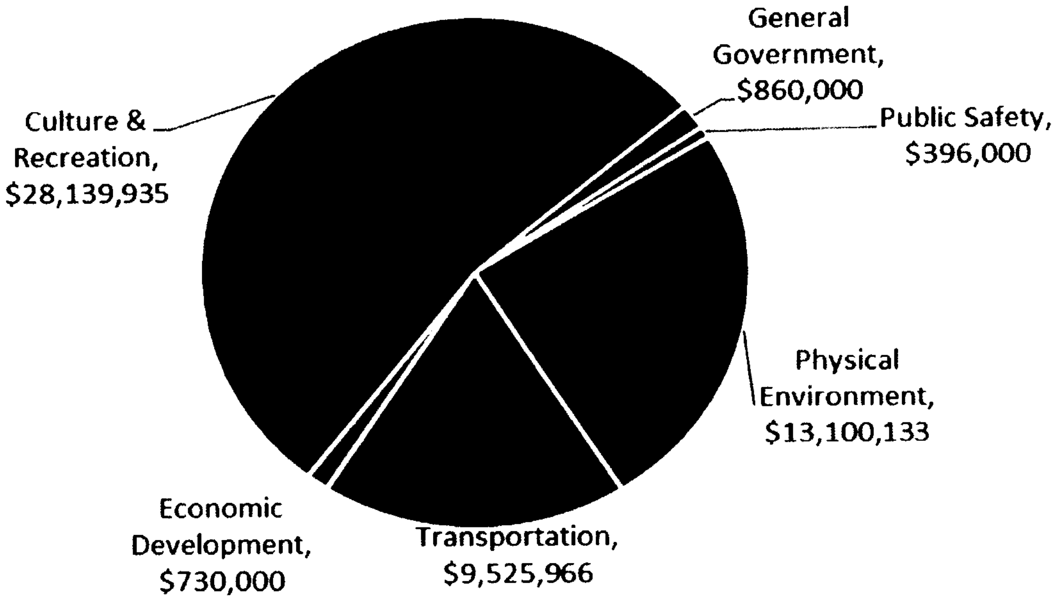
INCREASE	DECREASE
Receive Unanticipated Revenue • **Lien Payoff $282,000**	**Commit Funds with a Motion or Resolution** • **Parking Fund** • **Building Fund**
Unfilled positions • FY22 Budget $6,694,190 FY22 Projected $5,757,501 Increase = $936,689	**Lower than expected Revenue** **Higher than expected Expenditures (requires budget amendment)**

Most Capital Projects are paid from Restricted or Committed Funds, and if underspent, the balance stays in that Restricted or Committed Fund to apply towards another similar Capital Project.


FY2023 Proposed Budget
$72.9 million
Culture & Recreation, $32,549,051
Debt Service, $3,605,098
General Government, $5,371,064
Public Safety, $5,224,521
Physical Environment, $13,434,151
Transportation, $11,657,931
Economic Development, $978,268
Health & Human Services, $89,098


FY23 Proposed Operating
$20.2 million
Culture & Recreation, $4,409,116
Debt Service, $3,605,098
General Government, $4,511,064
Public Safety, $4,828,521
Physical Environment, $334,018
Transportation, $2,131,965
Economic Development, $248,268
Health & Human Services, $89,098

FY23 Proposed Capital
$52.7 million



General Fund Operating Expenditures

GENERAL FUND DETAILS				FORECAST
	2021	FY 2022		
DESCRIPTION	ACTUALS	BUDGET*	FY 2023	FY 2024
TOTAL GENERAL GOVERNMENT	*3,326,395*	*4,347,731*	*4,361,064*	*4,466,870*
TOTAL PUBLIC SAFETY	*2,996,101*	*3,251,454*	*3,533,942*	*3,641,340*
TOTAL PHYSICAL ENVIRONMENT	*142,017*	*199,073*	*313,018*	*323,010*
TOTAL TRANSPORTATION	*1,663,328*	*1,849,128*	*2,046,065*	*2,111,220*
TOTAL ECONOMIC DEVELOPMEN	*13,209*	*14,200*	*14,500*	*14,650*
TOTAL HEALTH AND HUMAN SVC	*64,531*	*101,254*	*89,098*	*89,140*
TOTAL CULTURE AND RECREATIOI	*2,943,335*	*3,724,508*	*4,409,116*	*4,557,410*
TOTAL DEBT SERVICE	*4,243,603*	*80,916*	*22,644*	*23,223*
TOTAL OPERATING EXPENDITURE	15,392,518	13,568,264	14,789,447	15,226,863
NET OPERATING (REV-EXP)	8,360,254	2,665,221	3,544,520	4,023,448

General Fund Expenditures

	FY 2021 ACTUALS	FY 2022 BUDGETED	FY2023 PROPOSED	FY2024 PROJECTED	% Change 22 vs 23
Salaries	3,938,276	5,101,250	5,677,510	5,902,150	11%
Benefits	1,421,705	1,624,440	2,083,174	2,143,650	28%
Contracts	3,690,523	4,195,544	4,065,575	4,172,990	-3%
Operations	2,057,829	2,388,919	2,812,544	2,856,600	18%
Other/Contr/Debt	4,284,185	258,111	150,644	151,473	-42%
Total GF Expenditures	**15,392,518**	**13,568,264**	**14,789,447**	**15,226,863**	

Personnel Costs are projected to be 34% higher in FY23 due to: Compensation study increases

- 5% COLA
- Plan to fill 21 vacancies
- Health Insurance assumed to increase 23%
- Addition of 2 new FT + 2 PT interns

Personnel: 99 FT & 29 PT

- 5% Cost of Living*
- 2% Merit
- Health Insurance increase 23%
- Stormwater Mgmt Position to be covered internally
- FY23 New Positions ($160K Sals + $97k Bens=$257k)
    - 2 FT wishlist Budgeted: Jr. Engineer; Stormwater Maint Tech
    - 2 PT wishlist Budgeted: Finance Intern & PIO Intern (max 29 hours/week x 16 weeks/year)
    - 2 FT wishlist NOT budgeted: Facilities and Parks Maint Techs
- Currently recruiting to fill 11 FT and 10 PT vacancies

**COLA Policy = June/June CPI = 9.02%*

Cost of Living (COLA)

Series Id: CUUR0000SA0
Not Seasonally Adjusted
Series Title: All items in U.S. city average, all urban consumers, not seasonally adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Download: xlsx

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	236.265	237.769
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	238.778	241.237
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	244.076	246.163
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	250.089	252.125
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	254.412	256.903
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	257.557	260.065
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802	266.236	275.703
2022	281.148	283.716	287.504	289.109	292.296	296.311							288.347	

8.54% March 22 vs March 21 CPI

8.26% April 22 vs April 21 CPI

8.58% May 22 vs May 21 CPI

9.06% June 22 vs June 21 CPI policy is June 17

DISCUSSIONS:

The Deputy City Manager provided the following updates on staffing as of August 11, 2022:

- 11 full-time vacancies
- 3 part-time vacancies
- The city currently has an interim HR Manager. Full time HR Manager has resigned.
    - Actively interviewing for permanent HR Manager position.

Councilmember Bagby noted that aside from senior managers, 79 members of staff received salary increases in April this year as a result of the wage study. The average increase was 18.6 percent with the highest increase being 46 percent. He stated that the CPI index from

April to June 2022 shows a 2.49 percent increase in inflation. He agreed the staff should still receive a COLA increase but not at 5 percent. He could support an increase of no more than 3 percent, maybe adding a little for those who did not receive a raise in April, plus up to 2 percent for merit. He added that a 5 percent COLA increase on top of an average 18.6 percent salary increase most staff members already received does not make financial sense. The merit component is important because it reinforces good behavior and extinguishes bad behavior.

Councilmember Hebert stated that the City of Destin is struggling to keep the staff they already have and fill their vacant position. The big pay raise they received in April just matched the pay raise they should have already received and it took a wage study to be able to do so. She stated that a 5 percent COLA raise is fair, and that she would even support something even higher or that would match the inflation rate. She added that most people do not live in Destin and it costs a lot of money to drive to Destin with the price of gas being so high.

According to Councilmember Braden, he feels that staff has been shortchanged for many years and, and that they finally received the salary raise they deserve. Now they are going to set them back by not giving them the appropriate COLA increase. They still have 11 full time positions that remain unfilled and they need to stay competitive to fill those positions. He added that he would support a 5 percent COLA increase.

Councilmember Schmidt stated that they conducted the wage study and brought most members of staff to the salary level that they deserve. Most of the people they have interviewed to fill some of the high level jobs have declined to take the job offers because they wanted more money. He continued they have to be more competitive than they have been in the past by continuing to push for a higher salary. They need to keep the people they have and attract others to work in Destin.

Councilmember Destin stated that though he sees both sides of the argument about COLA, the city just do not have enough money. At some point they would need to come to a conclusion on what they can afford. In light of the increases they gave staff earlier this year, he is leaning towards Councilmember Bagby's position to cut back on the COLA as most of their other expenses are going back pretty dramatically and they are required to have a balanced budget. He may even recommend waiting to fill some of the vacant positions until next spring in order to have a substantial amount of reserve or protection in their budget against the unforseen things that may be happening in their economy.

The mayor asked the Finance Director whether the salary figures that are being shown on the slides are already funded in their budget.

The Finance Director replied affirmatively, adding that with the salary being funded and funding all their capital projects, they are still adding $200,000 to the fund balance for next year. Also, this year she is projecting that they are adding $2 million to their fund balance this year because of the positions that have remained vacant for most of this year as well as the project that they were not able to complete by not having enough staff.

The mayor expressed that it does not seem to put the city in a dangerous position to accomplish the personnel aspects of their budget.

Councilmember Bagby stated he has always been a big staff supporter and has fought to help staff, but the reality of it is that the salary increase this year has probably contributed to filling a lot of their vacant positions because they are paying a competitive salary. Their vacant positions several months ago seem to be about three times the amount they have now. He added that the benefits cost almost 40 percent of the salaries. He added that he feels comfortable they are offering competitive salaries and definitely offering competitive benefits. He also added they need to be fair to the citizens by being good stewards of their money.

Councilmember Wagner recommends switching the two percentiles and having a larger percentage rate for merit than COLA. He inquired as to the percentage of staff that gets the current maximum 2 percent merit raise.

According to the City Manager, a large percentage of the staff gets the 2 percent merit raise.

Councilmember Bagby noted there have been years when merit was higher than the COLA.

General Fund Available for Capital Investment

FY2023@1.6150

FY23 Net Increase to Fund Balance $ 1,941,167 (before CIP)

Estimated Fund Balance at 09/30/2023 BEFORE CIP @1.6150 Millage Rate	**General Fund**
Fund balances:	
Nonspendable	2,361,624
Restricted	-
Committed (reserves)	10,988,499
Assigned	1,000,000
Unassigned	12,923,443
Total fund balances (deficit	**27,273,566**

General Funds
Invested in FY23 Capital Budget

PROJECT	FY 2023 Gen Fund $'s	FY 2023 Other	Notes
ANNEXATION STUDY CAPITAL PROJ	10,000		
HURRICANE RESPONSE	100,000		Usually 75% reimbursed by FEMA
NETWORK INFRA/SERVERS	45,000	105,000	Tech Fund contribution
SOFTWARE: ASSET MGMT; CIVIC CLRK	65,000		
~~CITY MARINA~~			moved to FY 2024
PICKLEBALL COURTS	400,000		6-10 courts, lighting, parking
CLEMENT TAYLOR PARK RENO	35,000	729,918	RESTORE grant
RENEWAL & REPLACEMENT PROGRAM	1,052,025	1,307,193	FY 2022 RR Fund Balance
TOTAL GF FOR CAPITAL IMPROVEMENTS	**1,707,025**	**2,142,111**	

FY23 Net Increase to Fund Balance	$	1,941,167	(before CIP)
Balance Available to Invest	$	234,142	

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 7:25 PM.

Gary Jarvis, Mayor

ATTEST:

Rey Bailey, City Clerk